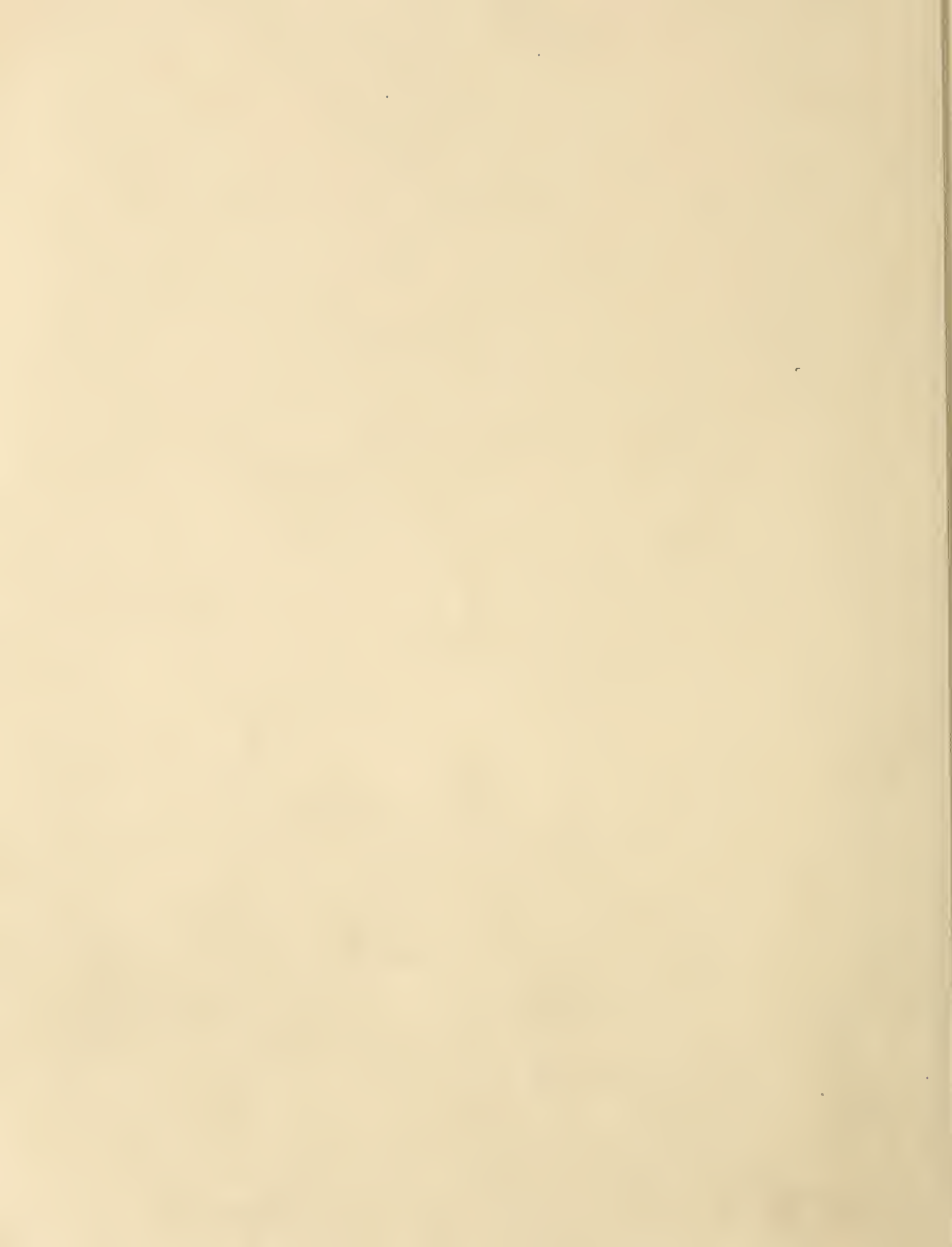


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# THE Demand and Price

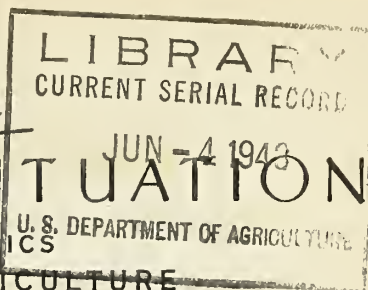
## SITUATION

BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

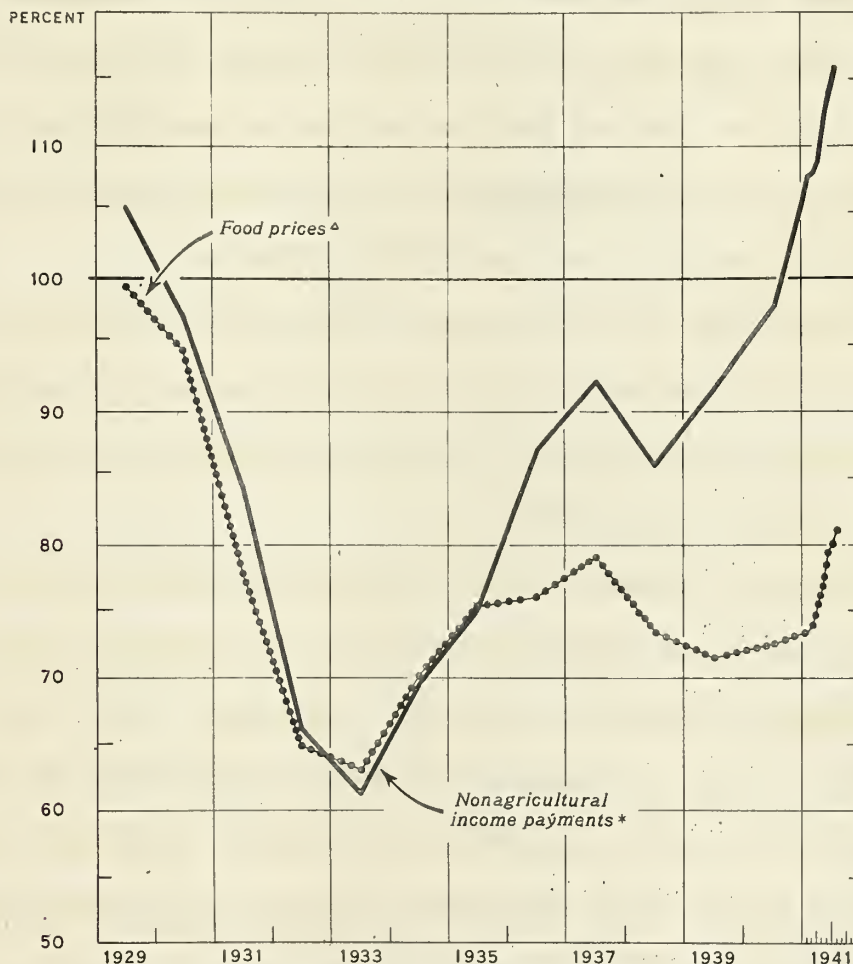


SEPTEMBER 1941



### RETAIL PRICES OF ALL FOODS AND NONAGRICULTURAL INCOME PAYMENTS, UNITED STATES, 1929-41

INDEX NUMBERS (1925-29=100)



\* BASED ON DEPT. OF COMMERCE DATA, BEGINNING 1929

△ BASED ON BUREAU OF LABOR STATISTICS DATA

U. S. DEPARTMENT OF AGRICULTURE

NEG 39432 BUREAU OF AGRICULTURAL ECONOMICS

DURING THE 6 YEARS 1930-35 THERE WERE SIMILAR CHANGES IN RETAIL FOOD PRICES AND THE INCOMES OF CITY PEOPLE, BUT DURING THE NEXT 5 YEARS (1936-40) THERE WAS A SUBSTANTIAL INCREASE IN THE LATTER WITH NO CORRESPONDING RISE IN FOOD PRICES. IN JANUARY 1941 FOOD PRICES WERE 3 POINTS LOWER THAN THE AVERAGE OF PRICES IN 1935, WHEREAS NONAGRICULTURAL INCOME PAYMENTS WERE 41 POINTS HIGHER. SINCE JANUARY THE SPREAD BETWEEN FOOD PRICES AND INCOME HAS REMAINED ABOUT CONSTANT, WITH BOTH FOLLOWING PARALLEL PATHS TO SUBSTANTIALLY HIGHER LEVELS.

## SUMMARY

Gains in consumer demand for farm products more moderate than those during the first 8 months of the year are in prospect for the remainder of 1941. Industrial activity has about stopped rising, partly as a result of the diversion of materials from civilian use to defense; but the rapid gains in economic activity prior to August will effect some further increase in consumer income, and the limitations on output of durable goods for consumer use will release more of the income for purchases of non-durable items, including food and other products using farm commodities as raw materials. Defense demands for food and textile products will also remain heavy, and a strong speculative and storage demand is becoming increasingly important in the agricultural markets.

Export needs for farm products next year, as disclosed earlier in the month by the Secretary of Agriculture in announcing goals of increased farm production for 1942, will if fully met require about double the volume of farm products exported this year.

Wholesale commodity prices recently have been advancing rapidly, reflecting decreased supplies of materials for civilian goods, heavy consumer buying, and increased speculative activity. These price-boosting influences have replaced some of the factors which were relatively more important in the earlier general price advance. Government controls of prices of a number of raw industrial materials and of ocean shipping rates have been effective in preventing any further general advance in prices of imported commodities and industrial raw materials since July.

In 1941 farmers will receive for their products prices which in general will be about 120 percent of the 1910-14 average compared with 98 percent in 1940. Furthermore, farm production is around 2 percent larger

this year than last. As a result of the higher prices and production, income from marketings in 1941 will total at least 10 billion dollars, compared with 8,354 million dollars in 1940. Increased export needs, heavy military demands, a high level of domestic consumer buying power, and strong speculative and storage demand will continue to support farm prices and income. But the recent rapid advance in prices paid by farmers for products and services has offset in part the effect on net income of rising prices for the products they sell.

-- September 17, 1941

The situation by commodities is as follows:

- Wheat:** Domestic wheat prices advanced during the past month largely as the result of active buying by both cash and speculative interests. Prices are now only slightly lower than on September 9, when the highest levels since the summer of 1937 were reached.
- Cotton:** The advance in cotton prices during the past month carried the 10-market average price of Middling 15/16 inch to 17.77, the highest level since 1929 and about 3.4 cents above the Government loan rate in those markets. Trade sources reported considerable speculative holding on the part of cotton farmers during August and early September. The decline in cotton consumption from 929,000 bales in July to 874,000 in August was more than accounted for by the reduction in the quantity of cotton distributed through the Government mattress programs and the smaller number of working days in August. Exports during August totaled only 35,000 bales, compared with 33,000 bales a year earlier and a 1935-39 August average of 212,000 bales.
- Feed grains:** The total supply of four feed grains was indicated on September 1 to be 125 million tons, slightly more than on the same date last year, and 16 percent above the 1928-32 average. Disappearance of feed is expected to be somewhat greater in 1941-42 than in 1940-41. During the past month the price of corn advanced slightly, oats and barley advanced 3 or 9 cents per bushel, and byproduct feeds \$4 to \$8 per ton.
- Hogs:** Slaughter supplies of hogs will increase seasonally during the next few months, and hog prices may decline somewhat from the current high level. Hog slaughter in August was 7 percent less than a month earlier and 8



percent less than a year earlier. Hog prices advanced to a new 4-year high in early September.

- Beef cattle:** Total slaughter of cattle and calves in 1941 will exceed that of 1940 by about 1.5 million head. This is the sharpest increase in slaughter since 1936. Cattle slaughter during August was 15 percent greater than a year earlier but calf slaughter was 4 percent smaller. Prices of slaughter cattle have not changed greatly during the past several weeks, but prices of veal calves have advanced sharply.
- Lambs:** Marketings of sheep and lambs will increase seasonally for another month or so, and total supplies for slaughter probably will continue moderately larger than a year earlier throughout the rest of 1941. Lamb prices advanced sharply during August and early September.
- Wool:** Unfilled mill orders for wool cloth are at record levels, and mill consumption of wool is expected to continue large during the remainder of 1941. Supplies of apparel wool on hand in the United States on August 1, including 1941 domestic production, were about 100 million pounds larger than a year earlier. But supplies are not large in relation to the current rate of mill consumption. Receipts of foreign wool have declined in recent months, but they are likely to increase in the late fall and winter when the 1941-42 clip becomes available in the Southern Hemisphere.
- Dairy products:** The announced goal for milk production in 1942 of 125 billion pounds is 7 percent above expected production in 1941 and 12.5 percent above the 1940 production, an exceptionally large increase.
- Poultry and eggs:** Egg production continues larger than a year earlier, and with favorable weather will increase further relative to late 1940 as this year's much larger number of pullets comes into production. Supplies of chickens for the remainder of 1941 will be larger than a year earlier. Prices received by farmers for chickens and eggs, however, are expected to remain above those received a year earlier.
- Fats and oils:** The average price of cottonseed for the 1941 marketing season may be the highest in about 20 years. Further increases in demand for cottonseed products are in prospect, and supplies will be comparatively small. Goals for 1942 call for 1.1 million acres more of soybeans and 1.6 million acres more of peanuts than in 1941. With normal crop yields, these increases are expected to provide about 500 million pounds more edible oil in 1942-43 than in 1941-42.

Fruits: Indications on September 1 were that total fruit supplies in 1941-42 may be 6 percent larger than in the preceding season. The combined production of 8 major deciduous fruit crops (peaches, pears, grapes, cherries, plums, prunes, apricots, and commercial apples) is indicated to be about 12 percent larger than in 1940. Present indications are that the combined production of all citrus fruits probably will be slightly smaller than for the 1940-41 season. Increased demand on the part of domestic consumers for fruits and fruit products, and Government buying under the food-for-defense program, will affect fruit prices favorably and will in general more than offset the influence of the larger supplies.

Potatoes: Marketings of potatoes during the remainder of 1941 are expected to be lighter than in the comparable period of 1940, and prices probably will advance to somewhat higher levels.

Truck crops: With supplies of truck crops available for market during the next few months indicated to be slightly smaller than those a year earlier, market prices are expected to continue on a higher level than in late 1940.

#### DOMESTIC DEMAND

Since industrial activity is not expected to change much in the next few months, further improvement in the domestic consumer demand for farm products will depend on the delayed effect on consumer income of the recent marked increases in industrial activity and on the diversion of consumer buying from curtailed durable goods to food and other nondurable items. Domestic consumer demand will continue to be supplemented importantly by military demands for textiles and by food purchases under the food-for-defense program, both of which may be increased. Speculative and storage demand also should continue strong, and may become the major price-affecting factor for some commodities.

The rapid shift from a peacetime to a defense economy now taking shape is expected to cause sufficient dislocations in civilian industry and in nondefense construction to about offset temporarily the increase in output of military equipment. Except for last April, when a coal strike brought a slight decline in the Federal Reserve index of industrial production, 1/ August was the first month since April 1940 that production

1/ The Federal Reserve index of industrial production frequently cited in The Demand and Price Situation has just been revised. Details of the revision are given in the September issue of the Federal Reserve Bulletin. The revised data are shown in the table on the back cover page. The new index includes manufacturing carried on in Government-owned plants, not previously included, and makes allowance for the disappearance of seasonality in defense production. The index averaged about 2-1/2 points higher in the first 7 months of 1941 than the old index, but in July the two indexes were the same. Complete elimination of the seasonal correcting factors for most of the durable goods industries and for some of the important nondurable groups has the effect of making the new seasonally corrected index smoother than the old under war conditions.



failed to advance. The production index, which stood at 161 in July and August compared with 111 in April 1940, is expected to change little for several months. How long dislocations in civilian goods industries will be sufficient to prevent a definite resumption of increases in the aggregate of industrial activity will depend largely upon the flow of materials, which in turn hinges upon supplies in relation to requirements and upon the way in which these supplies are used under the new Government regulations now being formulated.

The total quantity of materials available for current use by fabricating industries will be influenced by the additions to current capacity of the raw and semi-finished materials industries, by the success which may attend efforts to unearth unnecessarily large inventory accumulations of such goods, and by policies with respect to stock piles of strategic materials. Some of these questions may be clarified by investigations and policy decisions now being made by the Supply, Priorities, and Allocations Board. Efforts to increase supplies of steel, aluminum, and a multiplicity of other defense materials already are bearing fruit. But larger quantities will be needed for defense production. Producers of civilian goods will hereafter be required to accept military orders and to give them preference if facilities are not adequate for both. Obviously the output of some civilian goods will suffer.

Residential building, which has experienced an extraordinary recovery during the past 7 years, may be near a cyclical peak. Costs have been rising substantially recently and now materials, many of which are needed for defense, are becoming scarce. Here, as in manufacturing defense needs for construction and for labor in new defense plants probably will take up most of any slack in employment that a scarcity of construction materials might otherwise cause, although large-scale shifting of labor to new types of construction or into defense factories cannot be accomplished without temporary periods of unemployment for many of the workers involved.

Defense activity will continue to dominate the industrial situation as it has during the past year but with a decided difference in impact. Whereas in the earlier stages of the defense program preparation for large-scale defense production stimulated greatly the output of civilian goods, hereafter as production of defense equipment expands rapidly the output of civilian goods will be limited. Defense expenditures rose from 200 million dollars in August 1940 to 1,124 million in August of this year. It is roughly estimated that defense goods and exports are now taking about 20 percent of total output of processed goods, compared with only 11 percent a year ago. A year from now the proportion of output represented by defense goods and exports may be as much as one-third of the total.

Unless the impediments to increased industrial output and employment attending the shift from a peacetime to a defense economy are more severe and long drawn out than now expected, some of the effects on consumer income of the rapid expansion prior to August should carry over into the next few months. Furthermore, even if there were no further increase or even



some temporary decline in the total income of consumers the proportion available for food and other types of goods using agricultural products as raw materials would be increased by the effect of curtailment of production of automobiles and other durable consumers' goods, with the result that the balance of income available for purchase of food, clothing, and other nondurable goods might actually increase.

Changes in consumer demand due to industrial fluctuations will be relatively less important from now on than changes in the general price level and other factors which influence the money incomes of consumers and which also affect speculative and storage demand for farm products.

#### EXPORT DEMAND

Earlier this month the Secretary of Agriculture announced 1942 production goals for all essential farm products. These call for larger acreages or production of most farm products except the three important export commodities - wheat, cotton, and tobacco. Adequate reserves for all prospective needs of these three products have already been accumulated.

The desired increases in production, which are to be encouraged by support of prices of some commodities at 85 percent of parity through 1942, are in large part due to anticipated increases in export needs, particularly British needs. Total 1942 exports are expected to require 8 to 10 percent of agricultural production, and those to Great Britain 6 to 8 percent. At this ratio to production, exports apparently would take just about twice as large a percentage of output as they are expected to take on the average in 1941.

Export needs in 1942 are estimated to be about three times as large as those for 1941 for pork products, eggs and naval stores, about twice as large for milk products and canned fruits, and about one and a half times as large for lard and dried fruits. Tobacco exports in 1942 may increase some and be larger than the average exports of recent years; but, as in 1941, cotton exports may total only around a million bales, or less than 25 percent as large as average exports during the 1936-40 period. Exports of dry beans and canned vegetables are likely to continue large and to be substantially above normal.

#### WHOLESALE PRICES

The general level of wholesale prices has been rising continuously in the past 12 months. The Bureau of Labor Statistics all-commodity index (1926=100) rose from 77.4 in August 1940 to about 90 in August 1941, and there has since been a further rise of a point or two. The greatest rise has been in farm products, up about one-third, and in food, with an advance of about one-fourth. Wholesale prices of nonagricultural products rose only about 10 percent. No doubt the latter would have gone up more had it not been for Government price controls affecting key materials such as steel and copper.

The rise in prices which has so far occurred can be traced to developments such as the rise of industrial activity and consumer incomes, increased Government loan values on basic farm products, the food-for-defense program, and higher costs of importing many important raw materials obtained from abroad. Recently, however, there have appeared numerous instances of price advances of a different character. Some of these appear to be largely a result of speculative activity based on the increasingly widespread belief among business men and consumers that prices will rise sharply during this war as in past ones. This type of sharp price advances, sometimes coming in apparent response to events which ordinarily would cause hardly a mild ripple in the commodity markets, is characteristic of a general inflationary upswing of prices which many observers have been expecting. When prices of many commodities begin to rise sharply without normal reference to changes in consumer demand or in supply conditions, prices of individual commodities go up merely because other prices are going up. During the World War prices of some commodities rose sharply, and the gains were held for long periods, despite large supplies and curtailed market outlets.

It is speculative price advances of this type which can be most effectively handled by the kind of proposed price-control measures which have received most public attention during the present emergency. Prices of raw materials and semifinished products used by industry also are relatively easy to control. It is much more difficult to control advances in prices of consumers' goods which are characterized by a rapidly expanding demand without a corresponding increase in supply. It is difficult to find a practical means of policing controls applied to such commodities. Yet if such prices rise the resulting increases in the costs of living and wage rates may so affect costs as to necessitate upward revisions in even the "controllable" prices.

The effects on commodity prices of changes in economic conditions must be interpreted with special care under the peculiar circumstances prevailing now. For example, the tendency now in evidence for industrial production to flatten off after a sharp rise ordinarily would have a weakening influence on prices. In the present instance, however, this tendency reflects the attainment of practical capacity operation in many industries and shortages of materials which require diversions from civilian to defense lines of production. The cessation of the rapid upswing of industrial production, therefore, may under such circumstances be an evidence of conditions tending to force prices upward rather than to depress them.

Likewise, increased production goals for many farm products, recently announced by the Secretary of Agriculture, in ordinary times might tend to hold back price advances for farm products. But since the announcement necessarily was accompanied by details of expanding needs under the lend-lease program and by assurances of Government purchases and price supports, the effect was just the opposite. Prices of numerous commodities reacted upward following the Secretary's announcement of September 8.



Priority controls likewise can be expected to have mixed effects. Many people erroneously look upon priorities as a limitation of supply, whereas actually they are more in the nature of a limitation of demand. The total supply available for use is not reduced by the application of priorities, but the total effective demand may be substantially reduced. The essential element of the rather successful German price-controls has been the adjustment of demand (at the fixed price) to limited supplies by reducing the quantities buyers can purchase through a system of rationing or priorities. A potential buyer allowed to purchase only a certain quantity of a product would find no advantage in bidding up the price in an effort to obtain a larger amount, and hence the pressure of demand on supplies is reduced. On the other hand, the actual or prospective introduction of priority controls may at first induce both industrial purchasers and final consumers to attempt to stock up on needed commodities not yet being rationed, and thus induce a greater immediate expansion in demand and more rapid price advances than would otherwise occur.

If all prices were as amenable to control as prices of steel and other producers' goods, there is little doubt that the war-time price advance could be held definitely within bounds and any undue advance checked. There are many commodities, however, which are bought and sold by such vast numbers of firms and individuals that checking compliance is a difficult or impossible undertaking. In order to prevent rises in prices of such products it might be necessary to insure against an expansion in the money purchasing power of consumers out of line with the increase in available supplies. Many proposals for accomplishing this purpose have been advanced, but most of them involve heavy personal sacrifices on the part of the public which make such measures unpopular. At the same time, if advances in prices of other commodities more amenable to controls and widespread speculative price increases are held down, the tendency for money incomes to expand is retarded and the pressure on the less easily controlled prices is reduced.

Future movements of the general price level under present conditions cannot be forecast with as much assurance as usual partly because the action which will be taken with respect to some of these problems cannot be foretold. This is a time when only the uninformed are "positive" about anything concerning prices. But it seems fairly evident that although growing Government controls over industry will tend to restrict price advances for many commodities, increases in effective demand relative to supplies combined with increased speculative activity will continue to result in substantial price advances for others.

#### PRICES AND INCOME RECEIVED BY FARMERS

Prices received by farmers have increased considerably since August, when they were 131 percent of the 1910-14 average. The August index duplicated that for January 1937 and otherwise was the highest since June 1930. Price changes in central markets since mid-August indicate substantial increases in prices received by farmers for grains, cotton, dairy and poultry products, and a general index of prices received about 40 percent higher than a year ago.



Income from farm marketings in July was up more than seasonally from June and was about 27 percent higher than in July last year. Although the cotton crop is moving to market later than usual this year, it is likely, because of the six-point rise in farm prices from July to August and the large quantity of wheat placed under loan in August, that there was a greater than seasonal increase in farm income from July to August. With crop marketings approaching the October seasonal peak and the level of prices received by farmers higher for this time of year than at any time since 1929, a continuation of large gains in income compared with corresponding months last year is in prospect.

Prospects at present indicate an advance in prices received by farmers during 1941 as a whole to at least 120 percent of the 1910-14 average compared with 98 percent in 1940. Furthermore, agricultural production is estimated to be about 2 percent larger than that of last year. This moderate increase in production and the substantial increase in prices indicate an increase in income from farm marketings of from 20 to 25 percent. A 20-percent increase in income from farm marketings together with the expected Government payments would result in total cash farm income in 1941 of 10.7 billion dollars, compared with 9,120 million in 1940.

Prices paid by farmers rose 5 percent from May to August, and in July farm wage rates were up more percentagewise than farm income compared with their respective levels a year earlier. Further substantial advances in farmers' costs are expected to accompany the rising trend of wholesale prices and industrial wages. Thus any further gains in farm income will in part be offset by added costs of production.

#### HOGS

Slaughter supplies of hogs will increase seasonally during the next few months as the market movement of the 1941 spring pig crop gets under way in volume. This year's spring pig crop is estimated to have been about the same size as that of 1940, but the seasonal distribution of marketings during the next several months will be somewhat different from that of a year earlier. Supplies of hogs in the fall and early winter are expected to be smaller than the exceptionally large marketings in that period last year, but in the late winter and spring they are expected to be larger.

The recently announced production goals for agriculture call for a total United States hog slaughter in 1942 of around 79 million head. This is approximately 8 million head more than the probable total slaughter in 1941 but it is only a little greater than the record 1940 slaughter of 77 million head. The expansion in hog production necessary for this goal is already under way. The hog-corn price ratio has been favorable for increasing hog production since about the first of the year, and this together with Government support of hog prices has encouraged considerable expansion in hog production. In September the ratio was 14.3 compared with the long-time average of 11.6. The 1941 fall pig crop is certain to be materially larger than that of 1940, and present indications point to a fairly large increase in the number of sows bred to farrow next spring.

Hog marketings were reduced seasonally in August. Federally inspected slaughter for the month totaled 2,796,000 head, 7 percent less than for July and 8 percent less than for August last year. The proportion of packing sows in total marketings was seasonally large during the past month (about 30 percent of total purchases at seven important markets), and a little larger than in August last year. However, the total summer run of packing sows has been substantially smaller this year than last.

Hog prices held about steady during most of August, but they advanced to a new 4-year high in early September. A Chicago top of \$12.35 was reached on September 10. The average price of all hogs at Chicago for the week ended September 13 was \$11.20 compared with \$10.60 in mid-August, and \$6.45 in the corresponding week of 1940. A moderate seasonal decline in hog prices probably will occur during the next few months, as hog marketings increase.

#### CATTLE

Cattle slaughter during the first 8 months of 1941 totaled about 10 percent greater than in the corresponding period of 1940. Marketings of grain-fed cattle will continue large for the next several months, and supplies of other cattle also will be fairly large during this period. Total slaughter of cattle and calves for the entire year will exceed that of 1940 by about 1.5 million head. This is the largest increase in slaughter since the drought year 1936. However, it is not large enough to prevent an increase in the number of cattle and calves on farms during 1941, and numbers at the beginning of 1942 probably will be about 2 million head larger than at the beginning of 1941 and nearly as large as the 1934 peak.

In the recently announced agricultural production program for 1942 the goal for total slaughter of cattle and calves has been set at about 28 million head, approximately 3 million head more than will be slaughtered in the current year. Such an increase in slaughter would mean a substantial increase in the total production of beef and veal in 1942. Because of the prospective further improvement in consumer demand, prices could be maintained at this year's levels or higher even with the increase in slaughter provided for by the goal.

An annual slaughter of 28 million head would prevent a further increase in cattle numbers during the year. Failure to reach this goal for slaughter, however, would mean a continuation of the upward trend in cattle numbers. And at the end of 2 or 3 years marketings of cattle and calves for slaughter might be exceptionally large, probably considerably larger than the 1942 goal. Cattle prices in this event would almost certainly fall to a low level, particularly if consumer demand conditions should be much less favorable than they are expected to be next year.

Marketings of slaughter cattle continued large during August. The number of cattle slaughtered under Federal inspection during the month totaled 968,000 head, about the same number as in July, but 15 percent more than in August last year. It was the third largest commercial cattle slaughter for the month on record. Inspected calf slaughter during August was moderately smaller than in July and in August 1940. So far in 1941 calf slaughter has not been greatly different from that of the same period last year.



Cattle prices have not changed greatly during the past month. There has been a slight tendency for the spread between prices of the upper and lower grades of slaughter cattle to widen, but the continued large marketings of heavy, well-finished slaughter cattle has prevented any marked seasonal improvement in prices of the upper grades. The average price of good grade beef steers at Chicago for the week ended September 13 was \$11.70 compared with \$11.50 a month earlier, and \$11.25 in the corresponding week of 1940. Prices of feeder cattle have advanced moderately since mid-July, and they are now around \$1.50 higher than a year earlier. Prices of veal calves in early September were the highest they have been in about 10 years.

#### LAMBS

Marketings of sheep and lambs will increase seasonally for another month or so, and total supplies for slaughter are expected to continue moderately larger than a year earlier throughout the remainder of 1941. The proportion of the lamb crop marketed in only feeder condition this fall is expected to be smaller than usual. However, the demand for feeder lambs has been quite strong during the past few weeks, and contracting of lambs is reported to have been quite active in the Western Sheep States. There has been a moderate increase in sheep and lamb production over a period of the past few years, and the recently announced production goals for sheep and lambs in 1942 are about in line with the likely increase in slaughter supplies next year.

Marketings of sheep and lambs for slaughter decreased slightly in August. Slaughter under Federal inspection for the month totaled 1,522,000 head, 3 percent less than in July but 2 percent more than in August 1940. So far in the 1941 grass-lamb marketing season (May-August) slaughter has been about 6 percent larger than a year earlier; the 1941 lamb crop was 5 percent larger than that of last year.

Lamb prices advanced sharply during August and early September. They have weakened somewhat since then but are still about as high as in the early part of the spring-lamb marketing season. The average price of good and choice grade slaughter lambs at Chicago for the week ended September 13 was \$11.80, about 90 cents higher than in late July and \$2.70 higher than a year earlier. Market prices of feeder lambs in early September were about \$2.50 higher than in the corresponding week of 1940.

#### WOOL

Unfilled orders for wool cloth are at record levels, and mill consumption of wool is expected to continue large during the remainder of 1941. Weekly mill consumption of apparel wool which in July averaged 9,353,000 pounds, scoured basis, was below the record level of recent months. The decline probably was due in part to seasonal factors, but it also reflects labor difficulties in the industry. Even at the lower rate of consumption reported in July, consumption for the year would exceed 900 million pounds grease basis, by far the largest on record. Unfilled orders for wool cloth held by reporting mills are more than twice as large as a year earlier, and are the largest on record. With new orders for Army materials to be awarded this month, mill consumption is likely to be maintained at the current rate, or higher during the remainder of 1941.



Imports of apparel wool for consumption in the first 6 months of this year totaled 348 million pounds compared with 98 million pounds in the same months of 1940. Receipts of foreign apparel wool at three ports, Boston, New York, and Philadelphia, continued fairly large in July and August but the current rate of receipts is much smaller than in the first half of the year.

Total supplies of apparel wool on hand in the United States on August 1, including 1941 domestic production, probably were about 100 million pounds larger than a year earlier. But supplies are not large in relation to the current rate of mill consumption. As no additional supplies of domestic wool will be available for mill use much before June 1942 imports are likely to increase in the late fall and winter when the 1941-42 clip becomes available in the Southern Hemisphere.

Early indications are that wool production in Argentina and Uruguay in 1941-42 will not differ greatly from that of the current season. But the carry-over of wool into the new season is expected to be much smaller than in 1940 and total supplies available for export in 1941-42 will be smaller than in the current season. Supplies of wool available in Australia and South Africa in the 1941-42 season will be relatively large. This wool is under regulation of the British Wool Control as to destination and prices.

Domestic prices of wool have not changed much during the past few months after the marked advance in the last half of 1940. Sales of wool were small at Boston in August but prices were generally firm. The invitation for bids on Army materials in early September was followed by an increase in sales of a few kinds of domestic wools at Boston.

#### CORN AND OTHER FEEDS

The September 1 indicated supply of four feed grains is 125 million tons, or slightly more than the record supply last year and 16 percent above the 1928-32 average. A total corn supply of about 3,174 million bushels is in prospect, which would be 30 million bushels larger than the supply last year and 455 million bushels above the 1928-32 average. The oats supply was indicated to be slightly smaller than that of last year and also a little below average. The barley supply is the largest on record and 14 percent above the big supply last year. The grain-sorghum crop is the largest on record. Feed disappearance has been heavy since April, and the corn carry-over may be around 50 million bushels smaller this year than last. The crop is indicated to be 75 million bushels larger.

With a 5-percent increase in the number of grain-consuming animal units during 1941, supplies of these feeds per animal will be 3 percent smaller than they were last year, but 18 percent above the 1928-32 average. Excluding the probable quantity of corn that will be under seal and owned by the Government on October 1, the supply per animal unit is about the same this year as last, but considerably larger than the 1928-32 average.

Corn prices have advanced 10 or 12 cents per bushel since the first of the year, and in many areas prices are considerably above the loans to farmers plus accrued interest. Consequently farmers redeemed about 15 million bushels of corn during the period August 1-23, and the Government sold about 7 million bushels.

Feed prices continued upward during the past month. Cash corn prices advanced slightly and oats and barley about 8 or 9 cents per bushel. The cash price of No. 2 Yellow corn at Chicago for the week ended September 15 was 12 cents below the May future, which is in contrast to the situation a year earlier when the cash price was 8 cents above the May future. Prices paid by farmers for wheat-mill feeds advanced \$5 per ton during the past month and prices paid for high protein feeds \$4 to \$8 per ton. Prices of feed concentrates are at about the highest level in 12 years except in the years when droughts greatly reduced supplies.

The hog-corn price ratio was 14.3 for the week ended September 6, reflecting high <sup>hog</sup> prices relative to corn. In early September livestock and livestock products prices were also high relative to feed prices. A heavier disappearance of all feeds is in prospect in 1941-42.

#### WHEAT

Wheat prices advanced during the past month largely as a result of active buying by both cash and speculative interests. Supplies are abundant but strongly held. Domestic prices on September 16 were about 7 cents higher than a month earlier, and slightly lower than on September 9 when they reached the highest levels since the summer of 1937. On September 9 the price of spring wheat at Buffalo was 17-3/4 cents higher than Canadian wheat of comparable quality, c.i.f., duty paid, at the same market. On September 16 prices at Kansas City and St Louis were about 3 cents above loan values, but at Minneapolis and Portland they were 2-1/2 and 5 cents, respectively, below. The average price received by United States producers on August 15 was estimated at 88-1/2 cents, which compares with average farm prices of about 53 cents for Canada, about 40 cents for Argentina, and about 59 cents for Australia.

The September 1 indicated production of all wheat is 958 million bushels - 7 million bushels above the August 1 indication. A crop of this size is second only to the 1,009 million bushel crop in 1915. On the basis of the new crop report, the domestic wheat supply (carry-over and production) for the year beginning July 1, 1941 is indicated to be 1,344 million bushels, or 246 million bushels above the supply a year ago and 100 million bushels above the record high in 1931. Domestic disappearance in 1941-42 is estimated at about 670 million bushels; the quantity of exports is uncertain but they are expected to be less than the 34 million bushels last year. Accordingly, the carry-over July 1, 1942 may be about 650 million bushels, or about 260 million bushels above the 387 million bushels on July 1, 1941. However, if the acreage in 1942 is reduced to the acreage allotment figure of 55 million acres, average yields would result in a crop of only about 650 million bushels, which is about 300 million bushels less than the indicated crop for 1941, so that total supplies in 1942-43 may be only slightly below the record supply this year.

#### FATS, OILS, AND OILSEEDS

The average price of cottonseed for the 1941 marketing season will be much higher than in recent years and may be the highest in about 20 years.



This estimate is based largely on anticipated further increases in demand for cottonseed products with rising national income, small supplies of such products, and the prospect for substantial shipments of lard to the United Kingdom.

The quantity of cottonseed available for crushing in 1941-42 will be considerably below average. With reduced oil production and with comparatively small oil stocks on hand August 1, the supply of cottonseed oil is likely to be 20 to 25 percent less this season than last. Supplies of cottonseed cake and meal, and linters also will be reduced, but not to the same extent.

Decreased production of peanut oil as well as cottonseed oil is in prospect this season. Expanded production of soybean oil, lard, and possibly tallow and greases, however, will more than offset these reductions.

Because of reduced imports of oilseeds and oils resulting from the shipping shortage this year, and the possibility that imports may be further reduced next year, the Secretary of Agriculture in announcing production goals for 1942 indicated the desirability of expanding the acreage of soybeans for beans by approximately 1.1 million acres (about 20 percent) and peanuts by approximately 1.6 million acres (about 85 percent). These increases, with normal crop yields, would provide nearly 500 million pounds more soybean and peanut oil in 1942-43 than in 1941-42. Commercial production of castor beans also may be encouraged, although no goal has yet been announced for this crop.

During the first half of 1941, imports of fats, oils, and oilseeds in terms of crude oil, totaling 825 million pounds, were 10 percent smaller than a year earlier, with most of the decrease occurring in tung oil, olive oil, and copra. Exports, totaling 219 million pounds, were about the same as a year earlier.

Disappearance of primary fats and oils was 19 percent greater in the first 6 months this year than last. This was an unusually large gain. Part of the increase is believed to have been the result of inventory accumulation of finished goods by large distributors and consumers.

Prices of fats and oils leveled off during July and August. But in early September, following the withdrawal of the proposal to place a "ceiling" on cottonseed oil, prices of edible fats and oils moved upward. Prices of oilcake meals have advanced sharply during the past 3 months, with the rise continuing in early September. Prices of cottonseed and soybeans also have advanced in recent weeks.

#### COTTON

Price-supporting influences which have contributed to the recent further advance in cotton prices include (1) prospects for comparatively small crops of cotton, both this season and next, (2) lateness of the crop this year, (3) prospects for substituting substantial quantities of cotton for imported fibers such as silk, hemp, jute and flax, (4) speculative belief that none of the Government-owned cotton will be sold on the market in the months immediately ahead and that if and when the Government decides to sell, it will do so only at prices equal to or exceeding parity, and (5) growing consideration of the possibilities of general price inflation.



These have been largely responsible for the growing belief on the part of farmers that the full extent of the advance in cotton prices had not yet been felt up to the middle of August. Trade reports indicate that a considerable proportion of the ginnings up to the first part of September were being withheld from the market.

Cotton prices advanced about 1-2/3 cents during the month ended September 16. On September 9 Middling 15/16" in the 10 markets averaged 17.77, a gain of 85 points over the previous peak reached in late July and the highest level since 1929. By September 16 the spot price in the 10 markets had declined about 1/3 cent but still averaged 3.08 cents per pound above the Government loan rate of 14.33 cents in those markets.

Cotton consumption totaled 874,000 bales during August compared with 929,000 bales in July and 651,000 a year earlier. A reduction in the quantity of cotton distributed through the Government's mattress programs and the smaller number of working days in August more than account for the decrease in consumption. Consequently a slight increase occurred in the daily mill consumption rate in August. Textile sales continue in a much smaller volume than current production, limited principally by the lack of offerings. Exports during August totaled about 35,000 bales compared with 33,000 in July and a 1935-39 average of 212,000 bales.

Ginnings to September 1 totaled 504,000 running bales compared with 606,000 in 1940 and 1,402,000 in 1939. There is a reported scarcity of pickers in many areas.

#### DAIRY PRODUCTS

On September 8 the Secretary of Agriculture announced that the 1942 goal for milk production was 125 billion pounds. This is an increase of about 7 percent over the probable 1941 production and 12.5 percent over the 1940 production. To reach this goal would require a considerable increase in milk production per cow over the record high level in 1941 as well as some increase in the number of cows milked.

A material increase in milk production per cow can be obtained only by feeding large quantities of concentrates. Dairy product-feed grain price ratios are now such as to encourage heavy feeding and are expected to continue unusually favorable during coming months. In July the ratio between prices paid by condenseries for milk and feed grain prices was the highest on record for the month. However, the ratio of prices of dairy products to prices of byproduct feeds is only about average.

The Secretary also indicated that large increases would be needed in the production of American cheese, evaporated milk, and dry skim milk. In order to secure these increases farmers would need to sell a larger proportion of their milk as whole milk rather than as cream. American cheese production in recent weeks has been running about 20 percent larger than a year earlier, production of evaporated milk in July was 15 percent larger than in July 1940, but production of dry skim milk was 3.5 percent smaller.

The seasonal decline in milk production between August 1 and September 1 was larger this year than last largely because of the rapid improvement in pastures last year. However, total milk production on September 1 was 5 percent larger than on the same date in 1940.

#### POULTRY PRODUCTS

Egg production continues larger than a year earlier and with favorable weather will increase further relative to late 1940 as this year's much larger number of pullets come into production. Data for September 1 indicate total egg production was about 4 percent larger than a year earlier. The number of layers was about 1 percent larger than a year earlier and the rate of lay was 3 percent higher than the previous record high for that date in 1940. Receipts of eggs since September 1 have continued much larger than a year earlier.

The heavier receipts of fresh eggs have resulted in smaller net withdrawals from storage in recent weeks than in corresponding weeks last year. The reduction in withdrawals has been most marked since September 1. On that date United States stocks of shell eggs were 15 percent smaller than on September 1, 1940, whereas stocks of frozen eggs were about a third larger. Combined stocks of shell and frozen eggs on September 1 were about 2 percent larger than on the same date last year.

The margin of egg prices over a year earlier has been decreasing as the margin of receipts has been increasing. The price of fresh firsts at Chicago in mid-September was about 50 percent higher than a year earlier; in mid-August the difference was about 65 percent. Egg prices are expected to continue well above a year earlier but the less than seasonal increase may continue in view of the heavier marketings in prospect.

The basis for the desired increase in egg production for 1942 was established with the 14-percent increase in number of chickens raised on farms this year compared with 1940. With chicken and egg prices not less than 85 percent of parity, the attainment of the desired increase in chicken production next year also is very probable.

Market supplies of young chickens are continuing to increase and storage stocks of poultry are being accumulated despite declining marketings of fowl, now much smaller than a year ago. Wholesale prices of live chickens at Chicago in mid-September were slightly lower than a month earlier but have hold up well in view of the heavy marketings. Prices of most classes are 2 to 4 cents (18 percent) higher than a year ago. The number of chickens raised on farms this year is 14 percent larger than in 1940 and commercial broiler production has increased even more.

Turkey production is indicated to be 5 percent larger in 1940 but prices received by farmers are expected to continue well above a year earlier.

#### FRUITS

Indications on September 1 were that total fruit supplies in 1941-42 may be 6 percent larger than in the preceding season. The combined production



of eight major deciduous fruit crops (peaches, pears, grapes, cherries, plums, prunes, apricots, and commercial apples) is indicated to be about 12 percent larger than in 1940. Present indications are that the combined production of all citrus fruits probably will be slightly smaller than for the 1940-41 season. Increased demand on the part of domestic consumers for fruits and fruit products, and Government buying under the food-for-defense program, will affect fruit prices favorably and will in general more than offset the influence of larger supplies this year over last.

On September 1 the Agricultural Marketing Service estimated that the commercial apple crop would total 128.3 million bushels, an increase of 2.7 million bushels over the August 1 estimate. Last year the commercial crop totaled 114.4 million bushels. It is probable that, for the season as a whole, the influences on apple prices of increased consumer purchasing power will more than offset the effects of increased apple supplies.

Probable production of grapes in California was estimated on September 1 at 2.3 million tons. Production of raisin varieties is indicated to total 11 percent more this year than last, while that of wine and table varieties is indicated to total slightly less. As much as 250,000 tons of raisins could be packed this season. A raisin pack of this magnitude would leave about 355,000 tons of raisin grapes available for other uses (canning, wine, and juice) compared with 529,000 tons in 1940. The total supply of California grapes for other uses would then be about 1,347,000 tons compared with 1,566,000 tons for other uses last year.

The Agricultural Marketing Service estimated, as of September 1, that pear production this year would total 31.6 million bushels, roughly the same as last year. If, as anticipated, canners take 9.5 million bushels, and dryers 700,000, there would be 21.4 million bushels available for consumption in the fresh form. Prices of California Bartlettts at the New York auction to date this season have averaged considerably above prices in the comparable period in 1940.

Auction prices of California Valencia oranges and California grapefruit are currently averaging above prices in the same period last year.

#### POTATOES AND SWEETPOTATOES

Late potato crop prospects improved slightly during August, resulting in a slight increase in the indicated production. The crop as of September 1 is indicated to total 294 million bushels, about 4 million bushels more than was indicated a month earlier but 19 million less than the 1940 late crop. There were slight increases during the month in all of the important producing groups of States, but the crops in the Central and Western States continue to be estimated somewhat below those of last season.

Although some of the early-maturing varieties produced in the late States have already been harvested and marketed, the harvest of the main crops is just getting started. The portion of the crop already marketed overlapped the marketing of the second intermediate crop, a situation which resulted in a relatively low level of prices during the past month. Because of a new area coming into production in North Texas this season, there were plentiful supplies of intermediate potatoes. Most of these supplies have



been marketed, however, and the source of marketings is now gradually shifting to the important late States. Since supplies in these late areas are smaller than in 1940 and since demand in general is increasing, market prices have advanced somewhat from the low levels of last month. It now appears that market prices of potatoes during the coming fall and winter months will be substantially above those of last season.

There was also some improvement in the prospect for the sweetpotato crop during August. Production is now indicated to total 74 million bushels, or about 12 million more than in 1940. Market prices have declined seasonally in recent weeks and may not reach the seasonal low point until October or November. The larger supplies in prospect in the South Central States this season are likely to result in lower prices in midwestern markets than were received last season.

### TRUCK CROPS

The total tonnage of truck crops indicated to be available for market during the next few months is slightly smaller than that of a year earlier but is substantially larger than the recent 10-year average. A slightly larger acreage is indicated for harvest but yields are slightly smaller. The smaller tonnage in prospect is a continuation of the supply situation prevailing all this season. It indicates that, with improving purchasing power, market prices of truck crops in general probably will continue on a higher level than in 1940.

As compared with last year's output some late crops, such as cantaloupes, carrots, cauliflower, cucumbers, eggplant, green peas, and tomatoes, are somewhat larger but there are a number of important items, such as snap beans, beets, cabbage, celery, lettuce and onions, that show a smaller production. The Danish type cabbage crop, a part of which is normally stored for winter marketing, is indicated to be about the same as a year earlier but slightly above average. Production of late onions, another storable vegetable, however, is indicated to be 12 percent smaller than in 1940.

Because of increased plantings this season, production of most of the truck crops for processing is substantially larger than in 1940, an indication of greatly increased packs of seasonally canned vegetables. The packs are expected to be increased sufficiently to more than offset decreased carry-overs and result in larger supplies for the 1941 marketing season. Increased purchasing power of consumers and lend-lease requirements, however, probably will more than offset the influence of larger packs on prices.

## ECONOMIC TRENDS AFFECTING AGRICULTURE

INDEX NUMBERS: INDICATED. BASE PERIOD = 100

YEAR AND MONTH	INDUSTRIAL PRODUCTION <sup>1</sup>	FACTORY EMPLOYMENT <sup>2</sup>	FACTORY PAY ROLLS <sup>2</sup>	INCOME OF INDUSTRIAL WORKERS <sup>3</sup>	VOLUME OF AGRICULTURAL EXPORTS <sup>4</sup>	WHOLE-SALE PRICES OF ALL COMMODITIES <sup>5</sup>	WHOLE-SALE PRICES OF ALL FATS AND OILS	RETAIL FOOD PRICES <sup>6</sup>	PRICES RECEIVED BY FARMERS <sup>7</sup>	PRICES PAID BY FARMERS	RATIO OF PRICES RECEIVED TO PRICES PAID
<i>Base Period</i>	1935-39	1923-25	1923-25	1924-29	1924-29	1910-14	1924-29	1913	1910-14	1910-14	1910-14
1929	110	106	110	107	94	139	97	166	146	153	95
1930	91	92	89	88	80	126	81	158	126	145	87
1931	75	78	68	67	78	107	61	130	87	124	70
1932	58	66	47	46	83	95	44	108	65	107	61
1933	69	73	50	48	76	96	48	105	70	109	64
1934	75	86	64	61	59	109	59	117	90	123	73
1935	87	91	74	69	55	117	78	126	108	125	66
1936	103	99	86	80	51	118	79	127	114	124	92
1937	113	109	102	94	59	126	82	132	121	130	93
1938	89	91	78	73	67	115	66	122	95	122	76
1939	108	100	92	84	58	113	61	119	93	121	77
1940	123	108	105	95	42	115	64	121	98	123	80
1940- Aug	124	107	106	96	31	113	60	120	96	122	79
Sept	127	109	111	99	18	114	61	122	97	122	80
Oct	130	111	114	101	23	115	63	120	99	122	81
Nov	134	114	118	104	19	116	68	120	99	122	81
Dec	139	117	123	108	18	117	70	122	101	123	82
1941- Jan	140	118	126	111	16	118	67	122	104	123	85
Feb	144	119	126	111	22	118	68	123	103	123	84
Mar	147	119	127	113	27	119	72	123	103	124	83
Apr	144	122	132	113	28	121	79	126	110	124	89
May	154	125	142	125	38	124	87	128	112	125	90
June	159	129	152	133	41	127	90	133	118	128	92
July <sup>9</sup>	161	133	158	138	--	129	90	134	125	129	97
Aug <sup>9</sup>	161	---	---	---	--	132	91	135	131	131	100

<sup>1</sup>Federal Reserve Board adjusted for seasonal variation. Revised September 1941.<sup>2</sup>Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and pay by Bureau of Agricultural Economics):<sup>3</sup>Adjusted for seasonal variation. Includes factory, railroad, and mining employees. Revised April 1941<sup>4</sup>Foreign Agricultural Relations, 1924-29 = 100, adjusted for seasonal variation. Revised April 1941<sup>5</sup>Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.<sup>6</sup>Bureau of Labor Statistics, 1935-39 = 100, converted to 1913 = 100.<sup>7</sup>August 1909 July 1914 = 100.<sup>8</sup>Adjusted for seasonal variation. Revised July 18, 1941.<sup>9</sup>Preliminary.

*Note:* In comparing trends between industrial production and industrial workers' income, as indicated by the index numbers, notice should be taken of the different base periods used, and of the fact that income of industrial workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and workers' income.